

## Message Text

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43

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-07 FRB-01 INR-07

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LAB-04 SIL-01 OMB-01 AGR-10 ( ISO ) W

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R 081048Z JAN 75

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 2506

DEPT OF COMMERCE WASHDC

INFO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMKPNSUL MUNICH 1285

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

UNCLAS BUDAPEST 0063

E.O. 11652 N/A

TAGS: ECON, HU

SUBJ: ANNOUNCEMENT OF CONSUMER PRICE INCREASES

FOR EUR/EE

1. CONSUMER PRICE HIKES ANNOUNCED JANUARY 6 REVEAL  
SUBSTANTIAL JUMPS FOR LARGE NUMBER OF POPULAR CONSUMER  
ITEMS WITH WOOLEN GOODS, COSMETICS, AND RUBBER PRODUCTS  
REGISTERING THE LARGEST INCREASES. ACCORDING TO NEW  
CENTRAL GUIDELINES, WOOLEN FABRIC WILL INCREASE 18 PERCENT,  
WOOL BLANKETS 24 PERCENT, AND WOOLEN SUITS 10-21 PERCENT, WHILE  
SUITS OF MIXED WOOL AND SYNTHETIC FABRIC WILL RISE 4-10 PERCENT.  
SOMEWHAT SMALLER INCREASES ARE ANNOUNCED FOR COTTON FABRIC  
(PLUS 3 PERCENT), MIXED WOOL AND SYNTHETIC FABRIC (PLUS 3-4 PERCENT),  
AND MIXED WOOL AND SYNTHETIC BLANKETS (PLUS 5 PERCENT). HUNGARIAN  
CONSUMERS WILL ALSO PAY 23 PERCENT MORE FOR SHAVING CREAM,  
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31 PERCENT FOR DOMESTIC PERFUME, 12 PERCENT FOR AUTOMOBILE TIRES,

7 PERCENT FOR UPHOLSTERED FURNITURE, 21 PERCENT FOR AGRICULTURAL TOOLS, AND A WHOPPING 40 PERCENT FOR DRY BATTERIES. METALLURGICAL PRODUCTS SUCH AS ROLLED AND DRAWN SHEETS, WIRES AND PIPES WILL RISE BY AN AVERAGE OF 10 PERCENT, WHILE IRON WARE SUCH AS HAND TOOLS, FITTINGS, LOCKS, NAILS, AND BATH SETS WILL GO UP 5-8 PERCENT. MIXING SOME GOOD NEWS WITH THE BAD, A LIMITED NUMBER OF PRICE REDUCTIONS WERE ALSO MADE PUBLIC FOR SMALL DRY GOODS (MINUS 10 PERCENT), MIXED COTTON AND SYNTHETIC FABRIC (MINUS 3 PERCENT), AND BICYCLE TIRES (MINUS 11 PERCENT).

2. COMMENT: GOH, KEEPING IN MIND THE AFTERMATH OF THE POLISH PRICE INCREASES OF 1970, HAS PROCEEDED VERY CAUTIOUSLY IN HANDLING DELICATE ISSUE OF CONSUMER PRICES IN RECENT YEARS. OFFICIAL STATISTICS CLAIM THAT RISE IN CONSUMER PRICE INDEX WAS LESS THAN 2 PERCENT IN 1974 WHILE PLAN FOR 1975 DECREES A PRICE INCREASE OF 3.5 PERCENT. NEVERTHELESS, THE VIEW OF THE AVERAGE CONSUMER IS THAT PRICES ARE GOING UP AT LEAST TWICE THE OFFICIALLY DECLARED RATES. THE LATEST HIKES WILL UNDOUBTEDLY INCREASE THE RANKS OF SKEPTICS, WHO IN ADDITION TO NEW PRICE INCREASES CAN POINT TO THE 40 PERCENT INCREASE IN REFINED OIL PRICES, THE FACT THAT A PLOT OF LAND IN BUDAPEST HAS MORE THAN DOUBLED DURING THE PAST THREE YEARS, HEFTY RISES IN ALMOST ALL SERVICE CHARGES AND -- PERHAPS WORST OF ALL -- LAST MONTH'S 20 PERCENT JUMP FOR THAT ITEM DEAREST TO HUNGARIAN HEARTS, WINE. FOR ADDITIONAL EVIDENCE THAT THE RATE OF INFLATION MAY BE GREATER THAN OFFICIALLY ADMITTED, THE PUBLIC CAN EVEN POINT OUT THAT EVEN GOVERNMENT FINES ARE BEING RAISED. LAST WEEK THE COUNCIL OF MINISTERS ANNOUNCED THAT HENCEFORTH MINIMUM FINES WOULD BE INCREASED FROM 20 TO 50 FORINTS WHILE MAXIMUM PENALTIES WOULD GO UP FROM 5,000 TO 10,000 FORINTS.

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